

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF KENTUCKY-OHIO)	
GAS COMPANY FOR APPROVAL OF)	
SPECIAL CONTRACT WITH GENERAL)	
SERVICES ADMINISTRATION AND)	CASE NO. 92-317
CERTIFICATE OF CONVENIENCE)	
AND NECESSITY TO CONSTRUCT)	
PIPELINE FACILITIES TO SERVE)	
THE FEDERAL CORRECTIONAL INSTITUTE)	

O R D E R

On July 21, 1992, Kentucky-Ohio Gas Company ("Kentucky-Ohio") submitted an application requesting approval of a contract for natural gas service with the Federal Correctional Institute in Ashland, Kentucky ("FCI") and for construction of certain pipeline facilities needed to provide the service required by the contract. Kentucky-Ohio is a local gas distribution company subject to the Commission's jurisdiction and provides service to approximately 600 customers in the general area of Boyd and Greenup counties.

Kentucky-Ohio's gas supply contract with FCI, is a "special contract" which has been reviewed by the Commission for reasonableness. According to the information filed, Kentucky-Ohio's offer was submitted to FCI through the General Services Administration ("GSA") in Washington, D.C. in response to GSA's bidding process for gas service to FCI in Ashland. GSA has advised Commission Staff that FCI's historical supplier has been Inland Gas Company, an interstate pipeline company whose activities are jurisdictional to the Federal Energy Regulatory Commission.

In its July 1, 1992 letter, GSA notified Kentucky-Ohio that its bid had been accepted. Pursuant to the contract, Kentucky-Ohio will provide firm natural gas service for \$3.25 per Mcf during the initial contract year. The effective date of the contract is July 1, 1992 and is in effect for 2 years from the date gas service is initiated. Based upon its review of the terms of the contract, the Commission finds that the contract is reasonable and should be accepted as filed.

In its application to the Commission, Kentucky-Ohio also submitted information regarding the proposed construction of pipeline facilities to provide service to FCI. Kentucky-Ohio suggests that the proposed construction is an extension in the ordinary course of business and, as such, does not require Commission approval pursuant to 807 KAR 5:001, Section 9(3).

According to Kentucky-Ohio, no financing is required to pay for the construction of the pipeline facilities. The cost of the construction will be repaid through the revenues generated by service to FCI, and Kentucky-Ohio requires no increase to its existing rates on file with the Commission.

807 KAR 5:001, Section 9(3), states:

No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial

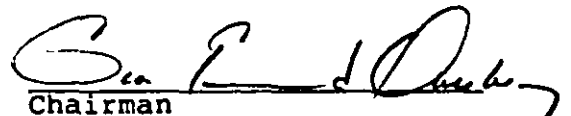
condition of the utility involved, or will not
result in increased charges to its customers.

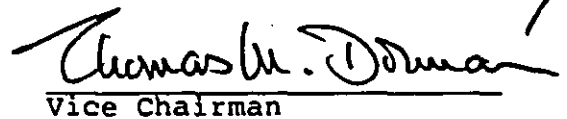
Based upon the information submitted by Kentucky-Ohio, the
Commission concludes that the proposed construction is within the
parameters set forth in 807 KAR 5:001, Section 9(3), and no
Certificate of Public Convenience and Necessity is required.

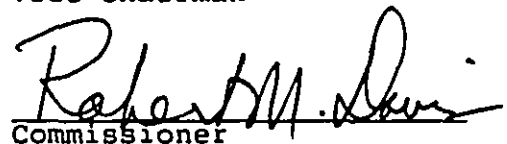
IT IS THEREFORE ORDERED that Kentucky-Ohio's contract with FCI
be and it hereby is approved.

Done at Frankfort, Kentucky, this 22nd day of September, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director